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UNCLAS SECTION 01 OF 02 BAGHDAD 004006

SIPDIS

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SUBJECT: (U) FIRST KURDISTAN REBUILDING EXPO ATTRACTS 200
COMPANIES FROM OVER 20 COUNTRIES

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government use only. Not for internet distribution.

¶11. (SBU) Summary: A USG delegation attended the Rebuild Iraq Expo and Conference on September 15 & 16 in the Kurdish city of Erbil. Organized by the Iraqi-American Chamber of Commerce and Industry, it was the first such event held in Iraq. Kurdish areas want to show they are open and ready for business. However, the trade conference also pointed out that Kurdish customs regulations and investment laws are different from those applied by the central Iraqi Government. These issues will pose challenges as Iraq pursues WTO accession and companies pursue export or investment opportunities in the region. End Summary.

TRADE CONFERENCE PARTICIPATION

¶12. (SBU) Over 200 companies from about 20 countries participated in the trade conference to highlight trade and investment opportunities in Iraq. The Iraqi-American Chamber of Commerce and Industry reports over 95,000 visitors attended the four-day event. The majority of the firms exhibiting at the expo were either Iraqi or from the Middle East region; there was also a strong showing of companies from Europe and Asia. In addition, there were several Iranian companies present. Only twelve booths were identified in the show as having U.S.-affiliation, but at least another dozen exhibitors included American product lines. Regarding business done, the organizer reported that the Iraqi Consultants and Construction Bureau (ICCB), a sponsoring exhibitor, signed new construction contracts in the Kurdistan region worth \$135 million. Several Baghdad and Kurdistan Regional Government-Erbil (KRG-E) ministries also had booths. The PUK-affiliated Kurdistan Regional Government-Sulaymaniyah (KRG-S) was conspicuously absent.

¶13. (SBU) Industry representation was diverse and included engineering/water treatment, construction and housing, telecommunications, transportation, banking, food products/agriculture, oil services shipping/freight forwarding, manufacturing, security services, medical supplies, information technology, and security and equipment services. While this list is not all-inclusive, it appears to represents some of the most important areas for private sector interest at this time.

IRAQ MINISTRIES, KRG AND REO KIRKUK

¶14. (SBU) On the first day of the conference, Iraqi Minister of Oil, Dr. Ibrahim Muhammed Bahr al-Ulum, commented on the high level of reconstruction and the availability of oil projects in the northern region of Iraq. He highlighted an investment project in Dahuk. While he did not go into any details on the project, we suspect he was referencing a project/agreement that a Turkish firm has signed with the KRG to explore for oil. He also referred to two oil storage facility projects being considered in Sulaymaniyah and Dahuk.

¶15. (SBU) Kurdistan Regional Government (KRG) President Masoud Barzani thanked the business community for participating in the conference and singled out U.S. companies General Motors and Motorola for their sponsorship of the event. [Note: According to event organizers, General Motors has decided to open a regional office in Erbil, which will employ 10-15 people and is intended to generate \$1 million in sales over the coming year]. Barzani also spoke highly of the level of security in Kurdistan and referred to the unfortunate need to move the Baghdad Expo to Turkey over a year ago due to security concerns. He complimented Kurdistan's entrepreneurial spirit, developed airport services, telecommunications, transportation, and accommodation services and called the Kurdistan region a "Gateway to

Iraq."

16. (SBU) REO Kirkuk Dep. Regional Coordinator also made public comments, highlighting the importance of a vibrant private sector to Iraq's economic future. He encouraged companies and government officials to reach out to USG contacts at Kirkuk and Embassy Baghdad to establish trade and investment ties.

TRADE AND INVESTMENT ISSUES IN THE KRG REGION

17. (SBU) The trade show also revealed issues that the Government of Iraq (GOI) will need to address as it moves to develop its private sector and address the subject of regionalism. Rival Kurdistan Regional Governments continue in Erbil (Kurdistan Democratic Party) and Sulaymaniyah (Patriotic Union of Kurdistan). KRG-E apparently invited no KRG-S officials, although KRG-E did show itself willing to invite Baghdad officials. The GOI also will have to address the separate Kurdish legal regimes and management of federal law. Both KRGs implement the federal customs law, but apparently retain the revenue collected rather than sending it to Baghdad. Although the TAL grants exclusive authority to the federal government to regulate customs (Art. 25(c)), it is silent about the management of customs. Even if the KRGs have the authority to manage federal customs law, however, it is not clear they also possess authority to retain customs revenues.

18. (SBU) The KRGs also have investment laws separate from that of the central Iraqi Government, but it is similarly unclear whether separate investment laws are permitted by current Iraqi law. Although investment is not expressly mentioned as a federal exclusive authority under Article 25 of the TAL, foreign economic policy is listed. This at least makes way for an argument that "investment" falls under foreign economic policy. If regulation of investment is not deemed to be an exclusive authority, however, Article 54 of the TAL grants the KRG the right to "amend the application of [federal] law" within the KRG. Regardless of the permissibility of such laws under federal Iraqi law, separate investment laws can be confusing for companies that want to be compliant with both KRG and Iraqi central government laws.

COMMENT:

19. (SBU) Given that this was the first post-liberation trade conference and expo in Iraq, it was considered successful and well attended, although there was some disappointment that more Iraqi ministers did not attend. Despite the billing as a "Rebuild Iraq Conference," it was foremost a regional event, as shown by the prominent display of the KRG flag throughout the trade conference and expo space. In addition, the KRG speakers continuously highlighted the level of security in the region as a key factor to encourage foreign investment and trade.

110. (SBU) Kurdistan's differing customs and investment regimes point to questions that Iraq will need to work as it implements the vision of federalism outlined in its draft constitution (assuming it is ratified). They will pose challenges to U.S. and other companies that want to export to or invest in the region. WTO members may also raise Iraq's legal treatment of these areas as an issue in their first Working Party with Iraq on its bid for eventual WTO accession.

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